



Office of Audits
Office of Inspector General
U.S. General Services Administration

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN

Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts Report Number A160037/Q/3/P17001 March 21, 2017

Assignment Number A180047
May 1, 2018

Table of Contents

Introduction	1
Results.....	3
Appendixes	
Appendix A – Action Plan for Report Number A160037/Q/3/P17001	A-1
Appendix B – Report Distribution	B-1

Introduction

We have completed an implementation review of the management actions taken in response to the recommendations contained in our March 21, 2017, audit report, *Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts*, Report Number A160037/Q/3/P17001 (see **Appendix A**).

Objective

The objective of our review was to determine whether the Federal Acquisition Service (FAS) has taken the corrective actions as outlined in the action plan for *Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts*. To accomplish our objective we:

- Reviewed the audit report, *Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts*, Report Number A160037/Q/3/P17001;
- Examined documentation submitted by FAS to support completion of the action plan steps;
- Reviewed 30 contract migrations to determine if a formal price analysis was performed; and
- Corresponded with FAS personnel.

Background

FAS's Office of Professional Services and Human Capital Categories, located in GSA's Northwest/Arctic Region, manages the Professional Services Schedule (PSS). FAS established the PSS in 2015 by combining seven pre-existing schedules, under its Multiple Award Schedule Program. According to FAS management, the consolidation enables customer agencies to procure a wide variety of services using one contract vehicle, which will increase the use of the program by the federal community.

To accomplish the consolidation, FAS migrated the schedules of contractors who held multiple professional service contracts into a single contract vehicle. This migration process required contractors to submit an offer for a new contract under the PSS solicitation. FAS subsequently awarded new contracts to these schedule holders, including a new contract number and period of performance. Using this process, FAS consolidated 721 separate pre-existing professional services contracts into 322 PSS contracts. These migrated contracts accounted for \$4.2 billion in sales in Fiscal Year 2015.

On March 21, 2017, we issued an audit report, *Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts*, to the FAS Commissioner. The objective of the audit was to determine if the price evaluation and negotiation of contracts and options awarded under FAS's PSS comply with federal regulations and policies.

Our 2017 audit found that:

- FAS is not consistently evaluating and negotiating contracts and options awarded under the PSS in accordance with federal regulations and internal policies. In particular, FAS consolidated certain pre-existing contracts into the PSS that resulted in the award of new contracts without establishing price reasonableness, as required by the Federal Acquisition Regulation (FAR).
- Contracting officers used a combined “Pre and Price Negotiation Memorandum” template that does not include all information required by the FAR and does not conform to FAS policy.
- Contract files lack key information necessary to support contracting officers’ fair and reasonable pricing determinations.

To address the findings identified in our report, we recommended that the Commissioner of FAS:

1. Direct the Office of Professional Services and Human Capital Categories to perform a formal price analysis on PSS migrated contracts to determine if the contract pricing is fair and reasonable.
2. Direct the Office of Professional Services and Human Capital Categories to discontinue the use of the “Pre and Price Negotiation Memorandum” template and use the separate Pre-Negotiation Memorandum and Price Negotiation Memorandum mandated by FAS Instructional Letter 2011-02.
3. Develop and issue guidance to contracting staff on documenting detailed price analyses, including reviews of comparable labor categories and rates, in order to support contracting actions in the contract file.

The FAS Commissioner agreed with our report recommendations.

Results

Our implementation review determined that FAS has taken appropriate corrective actions to address the recommendations. We determined that no further action is necessary.

Audit Team

This review was managed out of the Mid-Atlantic Region Audit Office and conducted by the individuals listed below:

Thomas P. Tripple	Regional Inspector General for Auditing
Michael M. Sinclair	Audit Manager
Mary Collins	Auditor-In-Charge

Appendix A – Corrective Action Plan for Report Number A160037/Q/3/P17001

Designated Responding Official [REDACTED]

Contact Person: [REDACTED]

Telephone Number: [REDACTED]

Date: June 30, 2017

Audit Report Number	Recommendation Number	Proposed Recommendation Completion
A160037/Q/3/P17001 - Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts	001	Date Complete

Recommendation

Direct the Office of Professional Services and Human Capital Categories to perform a formal price analysis on PSS migrated contracts to determine if the contract pricing is fair and reasonable.

Step	Action to be Taken Step by Step	Supporting Documentation to be sent to the GAO/IG Audit response Division	Documentation Will be Sent Last Day
001	Brief PSHC Office of Contract Operations on Audit Response Action Plan	PSHC ConOps briefing slides	Complete
002	Create Memorandum to File (MTF) and Pre/Price Negotiation Memo (PNM) templates	Migration 2.0 MTF and PNM templates	Complete
003	Conduct training for PSHC contracting workforce	Briefing slides and frequently asked questions (FAQ) from PSHC training	Complete

004	Conduct a price analysis for all contracts that did not have a price analysis performed at time of migration	List of completed migrated contracts including the date completed and whether the contract was negotiated	303 of 329 complete. Remaining 26 will be completed August 15, 2017
005	Document the findings in either a MTF or PNM	List of completed migrated contracts including the date completed and whether the contract was negotiated	303 of 329 complete. Remaining 26 will be completed August 15, 2017
006	Negotiate contracts as necessary, based upon the Contracting Officer's determination	List of completed migrated contracts including the date completed and whether the contract was negotiated	303 of 329 complete. Remaining 26 will be completed August 15, 2017
007	Coordinate process with the Office of Inspector General	Memorandum documenting the April 6, 2017 meeting with the Office of Inspector General	Complete

Appendix A – Corrective Action Plan for Report Number A160037/Q/3/P17001

Audit Report Number	Recommendation Number	Proposed Recommendation Completion
A160037/Q/3/P17001 - Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts	002	Date Complete

Recommendation (Only one recommendation per page)

Direct the Office of Professional Services and Human Capital Categories to discontinue the use of the “Pre and Price Negotiation Memorandum” template and use the separate Pre-Negotiation Memorandum and Price Negotiation Memorandum mandated by FAS Instructional Letter 2011-02.

Step	Action to be Taken Step by Step	Supporting Documentation to be sent to the GAO/IG Audit response Division	Documentation Will be Sent Last Day
001	Load templates into the PSHC Contracting Database for use by the Contracting Officer	Templates loaded into the PSHC database	Complete

Audit Report Number	Recommendation Number	Proposed Recommendation Completion
A160037/Q/3/P17001 - Audit of Price Evaluations and Negotiations for the Professional Services Schedule Contracts	003	Date March 31, 2018

Recommendation (Only one recommendation per page)

Develop and issue guidance to contracting staff on documenting detailed price analyses, including reviews of comparable labor categories and rates, in order to support contracting actions in the contract file.

Action to be Taken Step by Step	Supporting Documentation to be sent to the GAO/IG Audit response Division	Documentation Will be Sent Last Day
001 QV (FAS Office of Policy and Compliance) will issue policy to enhance understanding by the workforce of how to document price analysis, including reviews of comparable labor categories and rates on Schedule consolidations such as PSS	Copy of policy issued to workforce	December 31, 2017

Appendix B – Report Distribution

GSA Administrator (A)

Commissioner (Q)

Deputy Commissioner (Q1)

Deputy Commissioner (Q2)

Chief of Staff (Q0A)

Program Analysis Officer (Q1A)

Assistant Commissioner, Office of Policy and Compliance (QV)

Financial Management Officer, FAS Financial Services Division (BGF)

Regional Administrator (10A)

Regional Commissioner (10Q)

Director, Office of Contract Operations (QRA)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)